

HOUSE BILL REPORT

HB 1074

As Reported by House Committee On:

Housing
Capital Budget

Title: An act relating to increasing the administrative cap on the housing assistance program and the affordable housing program.

Brief Description: Increasing the administrative cap on the housing assistance program and the affordable housing program.

Sponsors: Representatives Dunshee, Jarrett, Chase and Schual-Berke; by request of Department of Community, Trade, and Economic Development.

Brief History:

Committee Activity:

Housing: 1/25/05, 2/23/05 [DPA];

Capital Budget: 3/3/05, 3/4/05 [DP(w/o HOUS amd)s].

Brief Summary of Bill

- Increases the administrative cap available for use by the Department of Community, Trade and Economic Development for the operation of the Housing Assistance Program and the Affordable Housing Program from 4 to 5 percent of the annual funds available.

HOUSE COMMITTEE ON HOUSING

Majority Report: Do pass as amended. Signed by 8 members: Representatives Miloscia, Chair; Springer, Vice Chair; Holmquist, Ranking Minority Member; McCune, Ormsby, Pettigrew, Schindler and Sells.

Minority Report: Without recommendation. Signed by 1 member: Representative Dunn, Assistant Ranking Minority Member.

Staff: Robyn Dupuis (786-7166).

Background:

The Department of Community, Trade and Economic Development (DCTED) administers the Housing Assistance Program and the Affordable Housing Program. Both of these programs, commonly referred to as the Housing Trust Fund, provide loan and grant monies to eligible organizations and communities to meet the basic housing needs of low-income and special

needs populations. The Housing Trust Fund is available for acquisition, new construction, and rehabilitation for low-income housing units.

The DCTED may utilize 4 percent of the annual funds available for the Housing Trust Fund for administrative purposes. The administrative cap is calculated as a percentage of the total annual funds available for Housing Trust Fund, however the administrative cap costs are allocated specifically from the Housing Trust Repayment Account (Dedicated Fund 532). No administrative costs are charged to the state's capital account for new projects. For the 2003 - 05 biennium, funding for the Housing Trust Fund totaled \$107,276,100. Administrative funds to the DCTED from the Housing Trust Fund totaled \$4,291,044.

Summary of Amended Bill:

The statutory administrative cap for the Housing Assistance Program and the Affordable Housing Program available for use by the Department of Community, Trade and Economic Development is raised from 4 percent to 5 percent of the annual funds available for both of the programs until June 30, 2007.

Amended Bill Compared to Original Bill:

The Department of Community, Trade, and Economic Development (DCTED) shall have the authority to utilize up to 5 percent of the annual funds available for the housing assistance and affordable housing programs until June 30, 2007. After June 30, 2007, the administrative cap for the DCTED will revert to the previous level of 4 percent of the annual funds available for both programs.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Increasing the administrative cap available to the DCTED for the housing assistance and affordable housing programs is necessary to provide adequate resources for long-term management and preservation of the state's Housing Trust Fund portfolio. The Housing Trust Fund is currently managing 930 projects statewide and the portfolio increases at a rate of approximately 130 projects each year. No increase in monitoring or asset management staff capacity has been made in the last five years and the current cap of 4 percent is simply not enough. A maturing portfolio requires a lot of time and attention to manage as the health of projects changes due to changing market and community conditions. Currently the caseload for the DCTED asset management staff is 325 projects per staff person; this is an un-manageable case load. This bill will reduce that ratio to 250 per staff person. The increase in administrative dollars will reduce the number of foreclosures by

enabling the DCTED staff to respond quickly and proactively manage troubled projects in order to preserve the state's investment in affordable housing.

Testimony Against: None.

Persons Testifying: Representative Dunshee, prime sponsor; Stephen Buxbaum, Department of Community, Trade and Economic Development; and Judy Reed, Washington Community Reinvestment Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass without amendment by Committee on Housing. Signed by 25 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Blake, Chase, DeBolt, Eickmeyer, Ericks, Ericksen, Green, Hasegawa, Holmquist, Kretz, Kristiansen, McCune, Moeller, Morrell, Newhouse, O'Brien, Roach, Schual-Berke, Serben, Springer and Upthegrove.

Staff: Kathryn Leathers (786-7114).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Housing:

The expiration date of June 30, 2007 was deleted.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: House Bill 1074 would increase the amount the state can spend on administration of the Housing Trust Fund (HTF) operating account from 4 percent to 5 percent. This will not result in diminishing any new money that is appropriated to new projects in the Capital Budget. As the state's HTF portfolio increases at a rate of 130 projects per biennium, monitoring and asset management activities must increase proportionately. Currently, the caseload is 325 projects per HTF employee whereas the private sector ratio is 45 per employee. If this legislation passes, the ratio will decrease to approximately 200 cases per HTF employee.

Testimony Against: None.

Persons Testifying: Stephen Buxbaum, Department of Community, Trade and Economic Development.

Persons Signed In To Testify But Not Testifying: None.